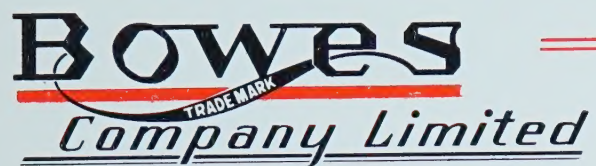


AR31



**SEVENTY-SIXTH
ANNUAL REPORT
DECEMBER 1968**





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DIRECTORS

Aubrey W. Baillie
Thomas H. Bowes
Thomas G. Drew-Brook
Bremner B. Green
Earle B. Hawkins
Stanley L. Meek, C.A.
James W. Walker, Q.C.

OFFICERS

Aubrey W. Baillie — Chairman of the Board
Bremner B. Green — President and General Manager
Thomas H. Bowes — Vice-President
Stanley L. Meek, C.A. — Secretary-Treasurer

AUDITORS

Clarkson, Gordon and Company

COUNSEL

McCarthy and McCarthy

TRANSFER AGENT

National Trust Company, Limited

To the Shareholders:

YOUR Directors are pleased to submit the 1968 Annual Report of Bowes Company, Limited including the consolidated financial statements of the Company and its subsidiary companies for the year ended December 31st, 1968.

Consolidated net profit for the year after provisions for income taxes amounted to \$921,370 compared with a net profit of \$859,453 for 1967. This represents \$1.52 per common share in 1968 compared with \$1.42 in 1967. In addition, a special non-recurring dividend of \$40,320 was received in 1968 from an affiliated company.

In the opinion of your Directors your company had another excellent year, and the financial position of the group is sound.

Consolidated cash flow from operations amounted to \$1,256,935 in 1968 as compared with \$1,178,951 in 1967. The company's working capital increased by \$569,447 to \$4,573,278.

The company is embarking on a major capital expansion programme in Colborne, Ontario and the approximate expenditure is \$750,000. This expansion is being assisted by the Ontario Development Corporation through the new provincial programme for the equalization of industrial opportunity in Ontario. The Ontario Development Corporation has approved an interest-free, forgivable loan up to a maximum of \$214,853.

Looking ahead to the year 1969, it is unlikely that any improvement in our net profit can be expected because of the increased depreciation and interest expense that the current capital programme will incur. It is anticipated that the new facility will be in full operation in 1970. Our total capital expenditures for the 1969 year will be approximately \$1,000,000.

The common shareholders received a quarterly dividend of 10c per share and an extra dividend of 10c per share in 1968 which amounted to 50c per common share in comparison to 30c per share paid in the past several years. At a meeting held February 25th, 1969, the Directors approved an increase in the quarterly dividend to $12\frac{1}{2}$ c per share, which was payable March 28th, 1969.

Your Directors express their appreciation to the employees of all the companies for their continued loyalty and efficiency during the year.

The report of the auditors of your Company, Messrs. Clarkson, Gordon & Co., on the consolidated statements is respectfully submitted herewith.

April 24th, 1969
Toronto, Ontario

ON BEHALF OF THE BOARD



Chairman

BOWES COMPANY, LIMITED

and its subsidiary companies

STATEMENT OF CONSOLIDATED INCOME AND RETAINED EARNINGS

for the year ended December 31, 1968

(with comparative figures for 1967)

	<u>1968</u>	<u>1967</u>
Sales and commissions earned	\$27,423,276	\$26,465,081
Operating profit for the year before the following	\$ 2,393,463	\$ 2,122,802
Add income from investments	16,807	22,849
	<u>2,410,270</u>	<u>2,145,651</u>
Deduct:		
Depreciation	335,565	319,498
Directors' remuneration	99,335	78,700
	<u>434,900</u>	<u>398,198</u>
Profit before income taxes	1,975,370	1,747,453
Income taxes	1,054,000	888,000
Consolidated net profit for the year	921,370	859,453
Add special dividend from affiliated company	40,320	
Balance transferred to retained earnings	961,690	859,453
Retained earnings, beginning of year	7,034,518	6,356,575
	<u>7,996,208</u>	<u>7,216,028</u>
Less dividends paid on common shares	302,518	181,510
Retained earnings end of year	<u>\$ 7,693,690</u>	<u>\$ 7,034,518</u>

See accompanying notes to the consolidated financial statements

CONSOLIDATED BALANCE

(with comparative figur

<u>ASSETS</u>		<u>1968</u>	<u>1967</u>
Current:			
Cash	\$	90,721	\$ 75,743
Short-term investments — at cost which approximates market value		157,000	155,000
Accounts receivable — trade, less allowance for doubtful accounts (note 1)		2,700,505	2,745,448
Inventories valued at the lower of cost or replacement cost (note 1)		5,482,094	5,530,821
Prepaid expenses		55,412	93,184
		<u>8,485,732</u>	<u>8,600,196</u>
Investments:			
Investments in and advances to affiliated companies at cost less amounts written off (note 2)		102,542	26,175
Mortgages receivable due 1970-1977		94,500	90,500
		<u>197,042</u>	<u>116,675</u>
Fixed, at cost:			
Buildings, machinery and equipment		5,670,379	5,196,374
Less accumulated depreciation		2,927,132	2,566,160
		<u>2,743,247</u>	<u>2,630,214</u>
Land		284,979	283,650
		<u>3,028,226</u>	<u>2,913,864</u>
Other:			
Processes, trademarks, etc., at cost less amounts written off		31,442	31,302
Goodwill, at cost (including net excess of cost of subsidiaries over their net book value at dates of acquisition)		32,439	137,583
		<u>63,881</u>	<u>168,885</u>
		<u>\$11,774,881</u>	<u>\$11,799,620</u>

See accompanying notes to t

NY, LIMITED

(In accordance with the laws of Canada)

RY COMPANIES

STATEMENT — DECEMBER 31, 1968

(as at December 31, 1967)

LIABILITIES

	<u>1968</u>	<u>1967</u>
Current:		
Bank loans and overdrafts (secured — note 1)	\$ 2,000,325	\$ 1,765,012
Accounts payable and accrued charges	1,554,334	2,352,374
Income and other taxes payable	357,795	478,979
	<u>3,912,454</u>	<u>4,596,365</u>
Shareholders' equity:		
Capital —		
Authorized:		
1,600,793 non-cumulative, redeemable		
1% preferred shares with a par		
value of \$1 each		
900,000 common shares of no par value		
Issued:		
605,035 common shares	168,737	168,737
Retained earnings (note 3)	7,693,690	7,034,518
	<u>7,862,427</u>	<u>7,203,255</u>
On behalf of the Board:		
A. W. Baillie, Director		
B. B. Green, Director		
	<u>\$11,774,881</u>	<u>\$11,799,620</u>

Consolidated financial statements

BOWES COMPANY, LIMITED

and its subsidiary companies

STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

for the year ended December 31, 1968

(with comparative figures for 1967)

	<u>1968</u>	<u>1967</u>
Funds were provided from:		
Operations —		
Consolidated net profit for the year	\$ 921,370	\$ 859,453
Add depreciation charged against income but which did not involve an outlay of funds	335,565	319,498
	<u>1,256,935</u>	<u>1,178,951</u>
Special dividend from affiliated company	40,320	
Mortgage payments received	26,000	22,250
Sale of investments		195,800
Net assets acquired in excess of price paid on purchase of subsidiary	41,712	
Recovery of investment in goodwill on sale of controlling interest in a subsidiary	63,292	
	<u>1,428,259</u>	<u>1,397,001</u>
Funds were applied to:		
Purchase of fixed assets (net of proceeds on disposals)	449,927	476,733
Dividends paid	302,518	181,510
Redemption of preferred shares		137,640
Investment in and advances to affiliated companies	76,367	
Investment in mortgages	30,000	26,000
Sundry		5,742
	<u>858,812</u>	<u>827,625</u>
Increase in working capital	569,447	569,376
Working capital at beginning of year	4,003,831	3,434,455
Working capital at end of year	<u>\$ 4,573,278</u>	<u>\$ 4,003,831</u>
Represented by:		
Current assets	\$ 8,485,732	\$ 8,600,196
Less current liabilities	3,912,454	4,596,365
	<u>\$ 4,573,278</u>	<u>\$ 4,003,831</u>

BOWES COMPANY, LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1968

1. ACCOUNTS RECEIVABLE AND INVENTORIES

The accounts receivable and inventories of the parent company and certain subsidiary companies have been pledged as security against the bank indebtedness.

2. INVESTMENTS IN AFFILIATED COMPANIES

The company's share of the equity underlying its investment in affiliated companies, according to the 1968 audited financial statements is \$410,000 (1967 — \$301,000).

3. RETAINED EARNINGS

The cumulative amount of retained earnings designated as capital surplus, as required by statute on the redemption of preferred shares in prior years, amounts to \$275,256.

4. CONTINGENT LIABILITIES

The companies are contingently liable in the following amounts: letters of credit outstanding \$765,000; guarantees of bank advances to affiliated companies up to \$1,500,000; guarantees of mortgages of \$341,000 on property occupied by affiliated companies.

AUDITORS' REPORT

*To the Shareholders of
Bowes Company, Limited:*

We have examined the consolidated balance sheet of Bowes Company, Limited and its subsidiary companies as at December 31, 1968 and the statements of consolidated income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of Glendinning, Jarrett, Gould & Co. who have examined the financial statements of a major subsidiary of which they are the auditors and the assets of which represent approximately 24 per cent of consolidated assets.

In our opinion, these consolidated financial statements present fairly the financial position of the companies at December 31, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
April 3, 1969.

CLARKSON, GORDON & CO.
Chartered Accountants

BOWES COMPANY, LIMITED and subsidiary companies

FIVE YEAR FINANCIAL RECORD

	1968	1967	1966	1965	1964
OPERATIONS					
Sales and Commissions Earned ¹	\$27,423,276	\$26,465,081	\$23,861,905	\$23,825,000	
NET PROFIT FOR THE YEAR	\$ 921,370	\$ 859,453	\$ 653,805	\$ 642,810	\$ 659,265
Per Share ²	\$ 1.52	\$ 1.42	\$ 1.08	\$ 1.06	\$ 1.08
NET CASH FLOW	\$ 1,256,935	\$ 1,178,951	\$ 948,378	\$ 910,501	\$ 890,316
Per Share	\$ 2.08	\$ 1.95	\$ 1.57	\$ 1.50	\$ 1.47
DIVIDENDS PAID					
Common Shares	\$ 302,518	\$ 181,510	\$ 181,510	\$ 181,510	\$ 181,510
Per Share	\$.50	\$.30	\$.30	\$.30	\$.30
REDEMPTION OF PREFERRED SHARES		\$ 137,640	\$ 137,616	\$ 68,779	\$ 60,680
EQUITY CAPITAL INVESTED					
Working Capital	\$ 4,573,278	\$ 4,003,831	\$ 3,434,455	\$ 3,512,428	\$ 3,124,734
Fixed Assets — Net	3,028,226	2,913,864	2,756,629	2,245,828	2,117,479
Goodwill and Trade Marks	63,881	168,885	163,143	163,143	163,143
Investments	197,042	116,675	308,725	367,930	494,598
TOTAL NET ASSETS	\$ 7,862,427	\$ 7,203,255	\$ 6,662,952	\$ 6,289,329	\$ 5,899,954
Less: Preferred Shares	—	—	137,640	275,256	344,035
TOTAL SHAREHOLDERS EQUITY	\$ 7,862,427	\$ 7,203,255	\$ 6,525,312	\$ 6,014,073	\$ 5,555,919
Per Share	\$ 12.99	\$ 11.90	\$ 10.78	\$ 9.94	\$ 9.18

1. The comparative sales figures are not shown prior to 1965 as sales records did not segregate intercompany sales in those years.

2. Per Share figures are adjusted to reflect five-for-one split effective May 7, 1965.

